

## Message Text

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PAGE 01 SANTO 01931 301519Z

43

ACTION EB-07

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FM AMEMBASSY SANTO DOMINGO

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C O N F I D E N T I A L SANTO DOMINGO 1931

DEPT PASS ALL ARA DIPLOMATIC POSTS

E.O. 11652: GDS

TAGS: ETRD, EAGR

SUBJECT: SUGAR: REPORT OF CUBAN DELEGATION TO LATIN AMERICAN  
PRODUCERS MEETING IN PUERTO PLATA

REF: SD 1866

1. THE FOLLOWING IS A SUMMARY OF A PAPER ENTITLED QUOTE ANALYZING  
THE SUGAR MARKET SINV THE MEETING AT COZUMEL UNQUOTE WHICH WAS  
PRESENTED BY THE CUBAN DELEGATION TO THE CONFERENCE OF LATIN  
AMERICAN SUGAR-EXPORTING COUNTRIES AT PUERTO PLATA; DESPITE THE  
TITLE THE PAPER ALSO MAKES PREDICTIONS UNTIL 1980:

I. THE PERIOD FROM DEC 1, 1974-MARCH 31, 1974

A. THE SUGAR MARKET HAS BEEN ON AN ALMOST CONTINUAL DECREASE  
DURING THE PERIOD IN QUESTION.

B. AS A CONSLUSION TO THE ANALYSIS OF THE PERIOD, IT CAN BE  
SEEN THAT THE RISE EXPECTED DURING THE FIRST QUARTER HAS NOT MA-  
TERIALIZED DUE TO THE FACT THAT THE THREE MOST IMPORTANT PUCHASERS

CONFIDENTIAL

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PAGE 02 SANTO 01931 301519Z

IN THE WORLD MARKET (THE US, THE EEC, AND JAPAN) HAVE KEPT

PRACTICALLY OUT OF THE MARKET FOR VARIOUS REASONS.

C. IN THE CASE OF THE US, THE REDUCTION IN CONSUMPTION DELIVERIES OF SUGAR DURING THIS PERIOD WAS ATTRIBUTED TO THE FOLLOWING:

1. DECLINE IN CONSUMPTION DUE TO:
  - A) INCREASE IN THE PRICE OF THE PRODUCT
  - B) COMPETITION FROM NUTRITIONAL AND NON-NUTRITIONAL SUGAR SUBSTITUTES
  - C) PUBLICITY CAMPAIGNS AGAINST SUGAR CONSUMPTION, CLAIMING NATIONAL ECONOMIC AND HEALTH REASONS
  - D) THE ECONOMIC CRISIS AFFECTING THE US AT PRESENT
2. DECREASE OF INVISIBLE INVENTORIES (I.E. THE USE OF STOCK-PILED SUGAR) IN POSSESSION OF INDUSTRIAL USERS AND HOUSEWIVES.

II. PERSPECTIVES OF THE SUGAR MARKET FOR THE PERIOD APRIL 1-AUG. 31, 1975.

A. ESTIMATED BALANCE FOR THE REST OF THE SUGAR YEAR:

1. TOTAL STOCKS FOR '74/'75 ARE 1.4 M.T. BELOW THOSE FOR PREVIOUS YEAR.
2. IN '73/'74, THERE WAS A LARGE GAP BETWEEN IMPORTS AND EXPORTS; NOT SO IN '74/'75.
3. GENERALLY, WORLD ESTIMATES OF SUGAR PRODUCTION VARY BETWEEN 79 MILLION AND 79.8 MILLION M.T. (USDA ESTIMATE).
4. IN THE US DURING THIS PERIOD, CONSUMPTION OF SUGAR IS EXPECTED TO DECREASE BY ABOUT 10 PERCENT, WHILE PURCHASES STILL TO BE EFFECTED ARE ESTIMATED BETWEEN 1.3 AND 1.4 MILLION M.T. TO AUGUST.

B. QUOTE WE COULD END THIS ANALYSIS OF THE ESTIMATED WORLD BALANCE INDICATING THAT IF WORSE COMES TO WORSE, 1974/75 PRODUCTION, AND CONSUMPTION FOR THE SAME PERIOD, MUST BE SIMILAR, WHICH MAKES IT IMPOSSIBLE TO REPLACE WORLD STOCKS FOR THE END OF THE SUGAR YEAR ON AUGUST 31, 1975. UNQUOTE

C. EEC AND US REMAIN THE MOST IMPORTANT FACTORS IN DETERMINATION OF PRICE:

1. EEC IS SEEN AS POTENTIAL PURCHASE OF LARGE AMOUNT OF SUGAR.
2. US IS SEEN DECREASING CONSUMPTION, INCREASING PRODUCTION.
- D. NON-LATIN AMERICAN, NON-CARIBBEAN PRODUCERS ARE INCREASING PRODUCTION.

III. PERSPECTIVES FOR THE SUGAR YEAR 1975/76

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PAGE 03 SANTO 01931 301519Z

A. CONSUMPTION -- WILL DEPEND ON EXISTING PRICE LEVELS.  
ESTIMATED WORLD CONSUMPTION--HIGH: 82 MILLION; LOW: 79 MILLION.

B. PRODUCTION-- POSSIBLE WORLD INCREASE, NOT INCLUDING LATIN AMERICAN AND CARIBBEAN COUNTRIES, ESTIMATED AT 6.8 MILLION M.T. IN THE US, SUGAR PRODUCTION IS EXPECTED TO INCREASE BY .4 MILLION M.T. DURING THIS PERIOD.

C. CONCLUSIONS

1. THE 1975/76 SITUATION WILL NOT BE AS TENSE AS THAT

OF 1974/75 IF THE PRODUCTION LEVEL THAT MAY NOW  
REASONABLY BE EXPECTED ACTUALLY MATERIALIZES.

2. ANY INCREASE IN PRODUCTION ABOVE ESTIMATES SHOULD BRING  
ABOUT INCREASED CONSUMPTION; THE WORLD AVAILABILITIES  
SITUATION WOULD NOT THEN BEAR UNFAVORABLY UPON THE MARKET.

3. A PROLONGATION OF THE TENSE SITUATION OF THE LAST MONTHS  
IS PRACTICALLY OUT OF THE QUESTION; A POSSIBLE SITUATION OF  
LARGE UNSOLD SURPLUSES SHOULD ALSO BE DISREGARDED.

IV. PERSPECTIVES FOR TOY FIVE-YEAR PERIOD 1976-80:  
SUMMATION:

1. THE DEPRESSED PRICE SITUATION THAT EXISTED DURING THE LATE  
'60'S CAN BE DISREGARDED AS A POSSIBILITY DURING THE COMING YEARS.

2. THE SITUATION DURING THE FIRST YEARS OF THE NEXT FIVE-YEAR  
PERIOD MUST BE LESS TENSE THAN THE ONE WE LIVED THROUGH DURING THE  
SECOND HALF OF 1974.

3. DURING THE LAST MONTHS OF THE FIVE-YEAR PERIOD, A NEW  
SCARCITY SITUATION CANNOT BE DISREGARDED.

2. EMBASSY IS POUCHING COPY IN ENGLISH OF THE CUBAN PAPER.  
HURWITCH

NOTE BY OC/T: NOT PASSED ALL ARA DIPLOMATIC POSTS.

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